

**DEPARTMENT OF STATE POLICE
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE PERIOD JANUARY 1, 2001
THROUGH DECEMBER 31, 2002**



AUDIT SUMMARY

Our audit of the Department of State Police for the period January 1, 2001 through December 31, 2002, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- internal control matters that we consider reportable conditions, but not material weaknesses;
- no material instances of noncompliance with applicable laws and regulations tested that are required to be reported; and
- incomplete implementation of corrective action with respect to the audit findings reported in the prior year with the exception of "Finalize Charge Card Agreement."

Our findings are discussed in the section entitled "Internal Control Findings and Recommendations."

IMPROVE SYSTEMS DEVELOPMENT PROCESS

The age, level of technology, and internal needs for information and equipment have reached a critical point where the State Police needs to develop both a short-range and long-term strategy to address its information technology needs. This process needs to follow the guidance issued by the Department of Technology Planning and should include establishing an internal management structure to set technology needs.

We found, State Police's current plans to replace the system do not provide long-term solutions, rather, these plans present a quick, short-term solution that resolves only immediate issues. If the State Police pursues this plan, the department will incur significant additional funding needs for upgrading and improving the system and possibly having to acquire additional equipment. In order to support technology investment decisions, we recommend the State Police develop a long-range information technology plan that identifies their current and anticipated technology requirements. Without appropriate long-term systems development plans and procedures, the State Police risks failure or premature obsolescence of new systems. This will result in wasted resources and failure to meet business needs. The State Police is currently considering a proposal to hire an independent systems development consultant to evaluate their long-term needs.

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INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Improve Systems Development Process

Over the past several years, State Police has expended significant resources to obtain a new communication system and update and make its systems Y2K ready. The future of the communication system is critical to the future planning and direction of technology within the department. As a result, State Police has not concentrated on long-range strategic planning to address the department's information technology needs.

The age, level of technology, and internal needs for information and equipment have reached a point where the State Police needs to develop both a short-range and long-term strategy to address its information technology needs. This process needs to follow the guidance issued by the Department of Technology Planning and should include establishing an internal management structure to set technology needs.

The State Police should establish an internal management structure that consists primarily of non-technical personnel who provide an operational viewpoint to the planning process. This group should work with the State Police's information technology management and staff in setting realistic priorities for equipment, as well as, systems development. The Superintendent should provide the group with the authority and responsibility of holding group and information technology management accountable for addressing the needs of the agency.

Below are some examples of the technology issues facing the State Police. These issues emphasize the need for strategic planning and setting priorities. Some of the problems cited have now become interrelated. As an example, until the State Police can resolve the issue they face concerning the potential lack of vendor support for their primary computer system, then it is unlikely and probably cost inefficient to change any of the programs operating on this system.

Inadequate Information Systems Strategic Planning

The majority of State Police's data resides on a Unisys IX 4400 platform. The software and operating system for this platform must be licensed by the Unisys Corporation. The State Police's five-year lease for the system software will expire on November 30, 2003. After that date, the cost to continue operating the current Unisys system will be approximately \$85,000 per month. The State Police has obtained funding and approval to replace the Unisys system, which will allow the State Police to upgrade and update the equipment and operating system. However, the funding will only convert the existing programs to a software product that will require substantial changes to maintain current functionality. These systems will remain in the older technology and will eventually require replacement.

The current plans to replace the system do not provide long-term solutions, rather, these plans present a quick, short-term solution that resolves only immediate issues. If the State Police pursues this plan, the department will incur significant additional funding needs for upgrading and improving the system and possibly having to acquire additional equipment. In order to support technology investment decisions, we recommend the State Police develop a long-range information technology plan that identifies their current and anticipated technology requirements. Without appropriate long-term systems development plans and procedures, the State Police risks failure or premature obsolescence of new systems. This will result in wasted resources and failure to meet business needs. The State Police is currently considering a proposal to hire an independent systems development consultant to evaluate their long-term needs.

Lack of Formal Systems Development and Program Change Guidelines

The State Police does not have an effective mechanism to set priorities for the development and implementation of systems development and program change requests. Most organizations have a mechanism to evaluate both the cost and benefit of each program change, or systems development request. The mechanism not only reviews the cost and benefit, but also assigns the request a priority status and at least semi-annually reports to management the progress of implementing the changes. This mechanism also annually reviews all outstanding, but uncompleted requests, and re-evaluates their cost and benefit and priority. As part of the re-evaluation mechanism, the review also examines if new or other technologies now exist to complete the task.

Several of the outstanding system changes or development requests could improve the use of department resources and improve the efficiency of operations, allowing for the allocations of those resources within the State Police. As part of the audit, we reviewed the listing of outstanding changes requested between this year and last year. There are approximately 80 outstanding program change requests that have been on the list for several years. Below is a partial list of change requests, that remain outstanding. These types of changes have saved other state agencies resources, or are necessary to the continued funding of the State Police.

An Interface between the Commonwealth Accounting and Reporting System and the State Police's Internal Accounting System – Most state agencies use this interface to eliminate duplicate data entry, reduce reconciliation and internal financial preparation times, and increase general accuracy of information. The original request for the interface was submitted January 28, 1992. The project has been reported to be in the development phase for the past three years, though no progress has been identified.

Inventory System Improvements – The information group upgraded the inventory system without user acceptance testing. As a result, the information group needed to make substantial changes to the system's functionality and data input to make the system usable.

Criminal Justice Systems - Many outstanding requests involve the operations and reporting functions within the Criminal Justice systems housed at the State Police. There are several outstanding requests that would improve the efficiency and accuracy of criminal records. The information kept in these systems is used by criminal justice agencies nationwide, in addition to local users, including request for criminal history background checks.

Billing Systems – The State Police collects over \$15 million for various fees and services. To make these collections, the State Police uses several billing systems. However, none of these systems track and reconcile receivable balances efficiently. In some cases, the system only generates a bill and the staff is responsible for maintaining spreadsheets to track and collect the receivables.

Currently, because the billing system cannot produce the forms, staff must manually prepare the form to bill other state agencies for services, which is a significant portion of the State Police's revenue collections. Since July 14, 1998, the request to automate Inter-Agency billing form has been outstanding.

State Police has identified the need for a consolidated billing system that would centralize the billing function, create invoices, track payments, reconcile differences and age receivables. A systems requirements document was completed and approved on February 5, 2003, but development has not begun.

State Police has consistently experienced shortages in systems development staff. This shortage and the lack of an effective mechanism to evaluate changes and set priorities have led to the significant backlog in requests for services. State Police should evaluate the current systems development process and seek alternative solutions to promote efficient operations throughout the department.

Develop a Disaster Recovery Plan

As noted in our previous report, the State Police does not have a contingency plan to restore critical computing operations in the event of a disaster. Additionally, these systems lack the protection of fire suppression equipment. The State Police maintains critical criminal and administrative information through three networks: the Virginia Criminal Information Network, the Automated Fingerprint System, and the State Police Administrative Network. The lack of a contingency plan and proper environmental safeguards poses a risk to the State Police, state and local criminal justice agencies, and the general public.

The Commonwealth of Virginia Information Technology Resource Management Standard SEC2000-01.1 requires agencies to maintain adequate environmental safeguards and to develop and maintain a contingency plan to provide for continued critical business functions, in the event of a disaster or other disruption. State Police has implemented a long-term plan to correct this problem by 2005. The State Police should continue to implement this plan to safeguard these critical systems.

Modify Router Configurations

The Sexual Offender router, VSP SPAN Internet router, and CISCO 7505 Internal router located at the State Police Headquarters have several security weaknesses. The State Police should take the following actions to eliminate these issues and decrease the risk of denial of service of the network, or inappropriate access to the internal network:

- Enable the telnet access lists to decrease the chance of unauthorized access to the router configuration file. (All routers)
- Turn off the “no service password encryption” feature for Telnet and Auxiliary connections. (Internet and Internal router)
- Block the “Finger” command at the router. (Sexual Offender router and Internal router)
- Block source routed packets at the router. (Sexual Offender router and Internet router)
- Drop the internal IP address from external packets at the router. (Sexual Offender router and Internet router)

Implementing these changes will reduce security risks to the State Police Systems.

SELECTED AGENCY INFORMATION AND FINANCIAL HIGHLIGHTS

The Department of State Police is the Commonwealth's law enforcement agency. In addition to their headquarters, which is located in Richmond, there are 7 field divisions and 48 area offices located throughout the state. The State Police employs over 2,600 employees, which includes approximately 1,800 troopers. The State Police has three bureaus.

Field Operations - Provides both traffic enforcement and criminal law enforcement on the over 64,000 miles of state roadways and interstate highways throughout the Commonwealth. In addition, Field Operations manages the Motor Vehicle Safety Inspection Program, enforces motor carrier and commercial vehicle safety regulations, and oversees the Executive Protective Unit and the State Police's Aviation Unit.

Criminal Investigation - Investigates all criminal matters mandated by statute and established departmental policy. The Bureau consists of four divisions: General Investigation, Drug Enforcement, Criminal Intelligence, and Insurance Fraud. The General Investigation Division investigates certain felonies, as well as requests from various officials. The Drug Enforcement Division conducts narcotics investigations, participates on task forces and special assignments, and conducts routine drug enforcement activities. The Criminal Intelligence Division operates the Virginia Criminal Intelligence Center, which provides information to various law enforcement agencies. The Insurance Fraud Division established on January 1, 1999 performs independent inquiries and conducts investigations of insurance fraud.

Administrative and Support Services - Includes the Divisions of Communications, Criminal Justice Information Services, Data Processing, Personnel, Property and Finance, Training, and the Planning and Research Unit.

The State Police maintains critical criminal and administrative information on three major information system networks.

- The State Police Administrative Network (SPAN) maintains all of the State Police's in-house applications, including the Central Criminal Records Exchange, the Sex Offender Registry, and the Firearms Transactions program. This network provides access to information to perform various types of criminal background searches.
- The Virginia Criminal Information Network (VCIN) connects the State Police to other state and federal criminal justice agencies, and other states' motor vehicle departments. It is a criminal information retrieval and exchange system available for state and local police officers during traffic stops.
- The Automated Fingerprint Identification System (AFIS) is a shared state and local computer system that houses fingerprint-based information. The system receives, and records electronically, fingerprints through remote LiveScan equipment. AFIS and LiveScan equipment operate in many local law enforcement agencies throughout Virginia.

Financial Information

The State Police receives primarily general fund appropriations and transfers from other state agencies. In addition, the State Police collects fees for central criminal record searches, sex offender registry searches, firearm transaction program inquiries, and state inspection stickers. Revenue also comes from state and federal asset forfeitures, surplus property sales, insurance recoveries, and federal grants. In fiscal years 2001 and 2002, the State Police received funding totaling \$215,155,812 and \$197,831,681, respectively. The following table shows the breakdown of funding by source.

	<u>Fiscal Year 2001</u>	<u>Fiscal Year 2002</u>
General fund appropriations	\$179,603,751	\$165,577,416
Revenue		
State inspection sticker fees	10,079,261	10,009,944
Criminal records check fees	4,693,055	4,723,220
Federal grants and contracts	4,340,604	6,864,564
Sale of surplus property	1,025,199	814,102
Asset forfeitures (state and federal)	676,764	741,620
Sex offender registry	1,025,920	1,409,782
Firearms dealer fees	387,307	411,851
Other revenues	<u>1,963,603</u>	<u>2,553,408</u>
Subtotal	203,795,464	193,105,907
Transfers	<u>11,360,348</u>	<u>4,725,774</u>
Total	<u><u>\$215,155,812</u></u>	<u><u>\$197,831,681</u></u>

Source: Commonwealth Accounting and Reporting System

In fiscal years 2001 and 2002, the State Police spent \$201,944,182 and \$198,965,503 respectively. The following table breaks down expenses by category.

	<u>Fiscal Year 2001</u>	<u>Fiscal Year 2002</u>
Personnel services	\$155,883,612	\$149,794,941
Equipment	11,708,313	15,104,481
Contractual services	17,024,392	17,301,917
Supplies and materials	8,352,420	7,710,629
Continuous charges	7,521,540	7,923,182
Other	<u>1,453,905</u>	<u>1,130,353</u>
Total	<u><u>\$201,944,182</u></u>	<u><u>\$198,965,503</u></u>

Source: Commonwealth Accounting and Reporting System

Technology Developments

Statewide Agencies Radio System (STARS)

The State Police presently owns and operates a statewide high-band Land Mobile Radio (LMR) network and a 2 GHz and 6 GHz microwave network. The State Police provides much of the Commonwealth's mobile radio coverage by the operation of 47 LMR sites and 87 microwave sites and they rely on vehicular repeaters for portable radios. The network has the state divided into seven divisions with each division further divided into two zones for radio communications. Since originally installed in 1977, the State Police have constantly expanded the Land Mobile Radio network to provide statewide radio coverage and operational effectiveness; however, the majority of the State Police land mobile radios are approximately 20 years old making replacement and maintenance difficult.

In fiscal year 2000, the General Assembly included \$1.75 million in general funds for consultant services to develop the system requirements and provide project management for a Statewide Agencies Radio System (STARS). In fiscal year 2001 and 2003, an additional \$5 million and \$3 million, respectively, of general fund appropriations was received for this project. STARS will upgrade the existing State Police radio infrastructure, and provide a shared land mobile radio system to serve 20 state agencies involved in public safety, transportation, and natural resources. The proposed system will function statewide, and consolidate dispatching functions among these agencies with the potential for use by other state, federal, and local agencies.

STARS consists of two basic components, infrastructure and non-fixed equipment inventory. The State Police anticipates ownership of the infrastructure since they already maintain a considerable portion of the components needed for the infrastructure. State Police believes that they will either lease or pay a user fee for the non-fixed equipment inventory, such as mobile computers, portables, vehicular chargers, and dispatch center control stations and consoles.

Current estimates for the total statewide project are approximately \$433 million over an eight-year period. The State Police have spent over \$3.5 million and \$2.6 million on this project in fiscal year 2001 and 2002, respectively. The State Police has finalized a contract with a vendor who will provide consultant services to assess and design an upgrade for the existing land mobile radio resources, prepare the technical procurement documentation, oversee the installation and integration, and assure system performance and vendor compliance.

State Police has not received final approval for the project as change in funding and technology has continued to provide some alternatives to any one design. At present, the State Police is examining some alternative non-traditional funding and development options.

State and Local Preparedness Program (IT Disaster Recovery)

State Police has allocated to data processing a portion of the \$4 million State and Local Preparedness Program federal grant. State Police plans to replace the Unisys mainframe system with an enterprise server system and develop a similar enterprise server hot site. Data Processing expects to locate the "hot site" at one of the Division Headquarters at least 50 miles away from State Police Headquarters. In addition, State Police plans to install fire suppression at both sites and an Uninterruptible Power Source, at the hot site. The project should allow high-speed communication for data replication from the production site to the hot site. In addition, State Police will have data and applications available in the event of a disaster and they expect to complete the project in June 2005.

Tactical Intelligence Processing System (TIPS)

The Tactical Intelligence Processing System facilitates collecting, compiling, reporting, and disseminating information on suspect individuals and businesses. The State Police currently has an internally developed system available to State Police offices and multi-jurisdictional narcotics task forces, which has undergone recent changes and serves as the basis for the new system. TIPS will serve as a statewide-automated intelligence and investigative support system for the use of all law enforcement agencies in Virginia. Additionally, TIPS provides a statewide criminal information pointer system that will alert law enforcement agencies across the Commonwealth that other agencies have information on the subject of their investigation.

Mobile Computer Terminal Upgrade (MCT)

The Mobile Computer Terminal Upgrade (MCT) will provide officers with more effective communications. State Police has completed a pilot phase of mobile computer terminals to be used for messaging and routine checks of drivers' licenses and vehicle registrations. Approximately 200 of the 487 MCT's have been installed in police vehicles. Current estimates for the total MCT upgrade is approximately \$3.7 million and is expected to be completed by December 2004.

April 10, 2003

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Kevin G. Miller
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of State Police** (State Police) for the period January 1, 2001 through December 31, 2002. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the State Police's internal control, and test compliance with applicable laws and regulations. We also reviewed the State Police's corrective actions of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the State Police's operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Revenues
Fixed Assets

Expenditures
Systems Development

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the State Police's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

State Police's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Department of State Police properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The State Police records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted certain matters involving internal control and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control, that in our judgment, could adversely affect the State Police's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial records. The reportable conditions are discovered in the section titled "Internal Control Findings and Recommendations." We believe that none of the reportable conditions is a material weakness.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The State Police has not taken adequate corrective action with respect to the previously reported finding "Improve Systems Development Process," and "Develop a Disaster Recovery Plan." Accordingly, we included these findings in the section entitled "Internal Control Findings and Recommendations." The State Police has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this report with representatives of management at an exit conference held on May 5, 2003

AUDITOR OF PUBLIC ACCOUNTS

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